

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Southern Clinton County Municipal Util. Auth.	County Clinton
Audit Date 12/31/05	Opinion Date 2/21/06	Date Accountant Report Submitted to State: 4/20/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Rd, Suite 100		City East Lansing	State MI
Accountant Signature <i>Abraham & Gaffney, P.C.</i>		ZIP 48823	
		Date 4/19/06	

**Southern Clinton County
Municipal Utilities Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

December 31, 2005

Southern Clinton County Municipal Utilities Authority

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of the
Southern Clinton County Municipal Utilities Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the Southern Clinton County Municipal Utilities Authority as of and for the years ended December 31, 2005 and 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Southern Clinton County Municipal Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Clinton County Municipal Utilities Authority as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Southern Clinton County Municipal Utilities Authority's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Southern Clinton County Municipal Utilities Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 21, 2006

Southern Clinton County Municipal Utilities Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2005

The intent of the management discussion and analysis is to provide highlights of Southern Clinton County Municipal Utilities Authority's (SCCMUA) financial activities for the Fiscal Year ended December 31, 2005. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ **Net Assets:** The assets of SCCMUA exceeded its liabilities by \$7,901,527 as of December 31, 2005. Of this amount, \$585,890 (unrestricted net assets) may be used to meet SCCMUA's ongoing obligations to citizens and creditors. The total net assets increased by \$1,634,975 as a result of current year operations. Total assets were more than one year ago due to equipment purchases, a new vehicle, beginning construction of the solids handling project and funds put into reserve for the solids handling project.
- ❖ **Operating Revenues and Expenses:** Revenues were higher for the fiscal year ending December 31, 2005. This was due to funding of the solids handling project. Expenses for the design phase and start of construction on the solids handling project were included in 2005 in the amount of \$2,301,384.
- ❖ **Non-Operating Revenues and Expenses:** Investment income was \$95,049 for fiscal year ending December 31, 2005. The municipalities have been contributing to their Solids Handling Reserves in order to fully fund the Solids Handling Project without incurring additional debt to the Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes this management discussion and analysis report, the independent auditor's report and the basic financial statement of SCCMUA, including notes that explain in more detail some of the information in the financial statements.

As a municipal wastewater treatment plant, SCCMUA engages in primarily enterprise operations in various separate and distinct activities. These activities include but are not limited to: 1) treatment of domestic and industrial wastewater; 2) maintenance of sanitary sewers; and 3) lift station operation and maintenance. SCCMUA was created by the City of DeWitt, and DeWitt, Bath and Watertown Charter Townships to provide collection, treatment and disposal of sewage for the benefit of their constituents.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information of SCCMUA using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The Statement of Net Assets includes all of SCCMUA's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to their creditors (liabilities). It also provides the basis for evaluating the capital structure of SCCMUA and assessing their liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of SCCMUA's operations over the past year.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Southern Clinton County Municipal Utilities Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2005

FINANCIAL ANALYSIS OF SCCMUA

The Statement of Net Assets and the Statement of Activities provide information to determine how SCCMUA did financially during Fiscal Year 2005. The net assets, or the difference between assets and liabilities, and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation also need to be considered in determining SCCMUA's financial health.

NET ASSETS

SCCMUA's Condensed Statement of Net Assets and Statement of Revenue, Expenses and Changes in Fund Net Assets are presented in the following Tables.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS

	<u>12/31/2005</u>	<u>12/31/2004</u>
Current and Other Assets	\$ 4,912,460	\$ 5,025,799
Capital Assets	<u>3,825,474</u>	<u>1,512,752</u>
Total Assets	8,737,934	6,538,551
Current Liabilities	798,868	145,130
Noncurrent Liabilities	<u>37,539</u>	<u>37,539</u>
Total Liabilities	836,407	182,669
Invested in Capital Assets		
Net of Related debt	3,825,474	1,512,752
Restricted	3,490,164	4,505,552
Unrestricted	<u>585,890</u>	<u>337,578</u>
Total Net Assets	<u>\$ 7,901,528</u>	<u>\$ 6,355,882</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets shows how total revenues and expenditures increased the net assets. In 2005, Capital Consultants performed a Wastewater Rate Study. This will determine the future user fees that the municipalities must charge to continue operation of this facility. The Depreciation expense of \$165,735 is a noncash expense, which represents the reduction in the value of the facility and system.

Southern Clinton County Municipal Utilities Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2005

TABLE 2
CONDENSED STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 3,700,159	\$ 2,855,358
Nonoperating Revenues	<u>95,049</u>	<u>50,815</u>
Total Revenues	3,795,208	2,906,173
Depreciation Expense	165,735	192,926
Other Operating Expense	<u>1,994,498</u>	<u>1,862,275</u>
Total Expenses	<u>2,160,233</u>	<u>2,055,201</u>
Changes in Net Assets	1,634,975	850,972
Beginning Net Assets	6,355,882	5,504,910
Prior Period Adjustment	<u>(89,330)</u>	<u>-</u>
Ending Net Assets	<u>\$ 7,901,527</u>	<u>\$ 6,355,882</u>

The rate charged to municipal users is determined by each municipality based on the most current Wastewater Rate Study. The budget is made up of several parts. Each municipality is billed 100% for their collection system budget. The budget for the Plant and Administrative costs are billed based on each municipality's ownership in the Authority. The Process costs are billed based on the previous full years flow into the facility by each municipality. Industrial Pretreatment charges are based on the adopted budget for that department, divided by the actual number of Industrial and Significant Industrial users. The Annual Replacement reserve is used to pay for capital improvements such as computer upgrades, plant improvements and equipment.

BUDGETARY HIGHLIGHTS

SCCMUA is an enterprise fund and is not required to adopt an annual budget. However, the SCCMUA Authority Board does adopt an annual Operating Budget and a seven-year Capital Improvement Plan following a public hearing. The Operating Budget includes proposed expenses and the means of financing them. The SCCMUA's operating budget remains in effect but can be revised with SCCMUA Authority Board approval prior to the December 31 year end.

A combined statement of revenues and expenses for 2005 is presented in TABLE 3.

Southern Clinton County Municipal Utilities Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2005

TABLE 3
COMBINING STATEMENT OF REVENUES AND EXPENSES
Year Ended December 31, 2005

	Investment Earnings and Interest Clearing	Sewer System	Industrial Pretreatment Program	Total
REVENUES				
Charges for services	\$ -	\$ 3,658,628	\$ 29,429	\$ 3,688,057
Interest	95,049	-	-	95,049
Other	-	12,102	-	12,102
TOTAL REVENUES	95,049	3,670,730	29,429	3,795,208
EXPENSES				
Salaries	-	703,629	4,573	708,202
Benefits	-	249,298	1,317	250,615
Motor vehicle and mileage	-	29,236	904	30,140
Utilities	-	273,987	-	273,987
Regulatory fees	-	7,634	-	7,634
Insurance	-	81,610	-	81,610
Repairs and maintenance	-	339,347	-	339,347
Education and training	-	16,152	678	16,830
Professional services	-	50,783	3,650	54,433
Supplies	-	65,758	724	66,482
Solids handling	-	72,093	-	72,093
Odor control	-	20,465	-	20,465
Miscellaneous	-	10,683	-	10,683
Capital improvements	-	61,977	-	61,977
Equipment depreciation	-	165,735	-	165,735
TOTAL EXPENSES	-0-	2,148,387	11,846	2,160,233
REVENUES OVER EXPENSES	\$ 95,049	\$ 1,522,343	\$ 17,583	\$ 1,634,975

CAPITAL ASSETS

At the end of 2005, SCCMUA invested \$305,926 in equipment for the wastewater treatment plant. A new service truck, two pumps, replacement RBC bearings and a new vacuum rodder truck were purchased. In addition, the SCCMUA made improvements to the system including the refurbishing of one lift station. The amount added to the system during this fiscal year as construction in progress was \$2,301,384. SCCMUA has a seven year Asset Management Plan that includes continued improvements for controls, radios, lift station, and exterior work on the plant. The goal of any asset management program is to maintain the assets in as close to "new" condition to eliminate the need for more costly repairs and/or replacement. By keeping the assets in "new", "excellent," or "good" condition (depending on the Asset Management terms being used), experience has shown that the ultimate costs are substantially reduced. A rule of thumb is that for every \$1 of capital maintenance, nearly \$4 in more costly repairs and replacements are saved. The major project for this facility is the Solids Handling project that involves building two new digesters and new storage for the sludge. This project is expected to be completed in the fall of 2006. For additional information regarding capital assets, refer to Note C to the financial statements.

Southern Clinton County Municipal Utilities Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2005

During 2005, the Authority Board made a decision to change the threshold at which they depreciate items to \$5,000. Previously, that number was \$500. All items less than the current \$5,000 threshold were removed from the capital asset schedule, resulting in a prior period adjustment reflected in the financial statements.

TABLE 4
CAPITAL ASSETS

	<u>2005</u>	<u>Restated 2004</u>
Construction in Progress	\$ 2,491,784	\$ 190,400
Machinery and Equipment	<u>2,727,398</u>	<u>2,579,744</u>
Totals at historical cost	5,219,182	2,770,144
Less: Accumulated Depreciation	<u>(1,393,708)</u>	<u>(1,346,722)</u>
Net Property and Equipment	<u>\$ 3,825,474</u>	<u>\$ 1,423,422</u>

DEBT ADMINISTRATION

At the end of the 2005 fiscal year, the Authority had no outstanding debt. This was unchanged from the 2004 fiscal year.

CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of SCCMUA's finances and to demonstrate its accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Lisa Mead, Secretary/Treasurer, SCCMUA 3671 W. Herbison Rd, DeWitt, MI 48820 or by phone at (517) 669-8311.

BASIC FINANCIAL STATEMENTS

Southern Clinton County Municipal Utilities Authority

STATEMENT OF NET ASSETS

December 31, 2005 and 2004

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 875,832	\$ 1,572,186
Investments	2,816,395	240,016
Accounts receivable	10,711	6,964
Total current assets	3,702,938	1,819,166
Noncurrent assets		
Investments	1,209,522	3,206,633
Capital assets not being depreciated	2,491,784	190,400
Capital assets, net of accumulated depreciation	1,333,690	1,322,352
Total noncurrent assets	5,034,996	4,719,385
TOTAL ASSETS	8,737,934	6,538,551
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	759,684	105,251
Accrued wages payable	16,546	17,223
Other accrued liabilities	284	302
Current portion of vacation and sick pay	22,354	22,354
Total current liabilities	798,868	145,130
Noncurrent liabilities		
Accrued vacation and sick pay	37,539	37,539
TOTAL LIABILITIES	836,407	182,669
NET ASSETS		
Invested in capital assets	3,825,474	1,512,752
Restricted for:		
Capital replacement	3,471,491	4,472,917
Other purposes	18,672	32,635
Unrestricted	585,890	337,578
TOTAL NET ASSETS	\$ 7,901,527	\$ 6,355,882

See accompanying notes to financial statements.

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Charges for services	\$ 3,688,057	\$ 2,831,827
Other	<u>12,102</u>	<u>23,531</u>
TOTAL OPERATING REVENUES	3,700,159	2,855,358
OPERATING EXPENSES		
Salaries	708,202	703,860
Benefits	250,615	251,479
Motor vehicle and mileage	30,140	18,529
Utilities	273,987	260,337
Regulatory fees	7,634	5,500
Insurance	81,610	82,479
Repairs and maintenance	339,347	338,669
Education and training	16,830	16,443
Professional services	54,433	49,214
Supplies	66,482	67,187
Solids handling	72,093	63,289
Odor Control	20,465	-
Miscellaneous	10,683	5,289
Capital improvements	61,977	-
Equipment depreciation	<u>165,735</u>	<u>192,926</u>
TOTAL OPERATING EXPENSES	<u>2,160,233</u>	<u>2,055,201</u>
OPERATING INCOME	1,539,926	800,157
NONOPERATING REVENUE		
Interest	<u>95,049</u>	<u>50,815</u>
CHANGE IN NET ASSETS	1,634,975	850,972
Net assets, beginning of year	6,355,882	5,504,910
Prior period adjustment	<u>(89,330)</u>	<u>-</u>
Net assets, end of year	<u><u>\$ 7,901,527</u></u>	<u><u>\$ 6,355,882</u></u>

See accompanying notes to financial statements.

Southern Clinton County Municipal Utilities Authority

STATEMENT OF CASH FLOWS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 3,696,412	\$ 2,867,828
Cash paid to suppliers	(381,248)	(902,364)
Cash paid to employees	(959,512)	(950,586)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,355,652	1,014,878
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(2,607,310)	(399,606)
Dispositions of capital assets	39,523	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,567,787)	(399,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	95,049	50,815
Purchase of investments	(1,143,158)	(357,648)
Maturities of investments	563,890	521,394
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(484,219)	214,561
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(696,354)	829,833
Cash and cash equivalents, beginning of year	<u>1,572,186</u>	<u>742,353</u>
Cash and cash equivalents, end of year	<u><u>\$ 875,832</u></u>	<u><u>\$ 1,572,186</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,539,926	\$ 800,157
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	165,735	192,926
(Increase) decrease in accounts receivable	(3,747)	12,470
Increase in accounts payable	654,433	4,571
Increase (decrease) in accrued liabilities	(695)	4,754
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,355,652</u></u>	<u><u>\$ 1,014,878</u></u>

See accompanying notes to financial statements.

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southern Clinton County Municipal Utilities Authority (SCCMUA) was created under Public Act 233 of 1955, as amended, by contractual agreement between DeWitt Charter Township, Bath Charter Township, the City of DeWitt, and Watertown Charter Township. The SCCMUA Board is made up of five (5) members appointed by DeWitt Charter Township, two (2) members appointed by Watertown Charter Township, two (2) members appointed by Bath Charter Township, and one (1) member appointed by the City of DeWitt. The purpose of the SCCMUA is to operate, maintain, administer, and manage the sewage disposal system for the benefit of the constituent municipalities.

The allocation of costs of the SCCMUA related to the constituent municipalities is either directly charged based on direct benefit or is based on ownership percentages and/or usage of the system as measured by billable flow. The following details the ownership percentages and billable flow percentages that were utilized for the year ended December 31, 2005.

	<u>Ownership</u>	<u>Billable Flow</u>
DeWitt Charter Township	55.7576 %	58.33 %
Bath Charter Township	16.7273	28.81
City of DeWitt	11.3131	10.37
Watertown Charter Township	16.2020	2.49

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Southern Clinton County Municipal Utilities Authority. The SCCMUA is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

The operations of the SCCMUA are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The SCCMUA's resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

The Proprietary Fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

5. Budgets and Budgetary Accounting

The annual budget of the SCCMUA is prepared by SCCMUA management and approved by the SCCMUA Budget and Finance Committee. The proposed budget and allocation of costs are submitted to the municipalities in August prior to the beginning of each fiscal year. The municipalities advise SCCMUA of any objections to the proposed budget and allocation and then each municipality Board approves the budget. The SCCMUA Board then adopts the approved budgets in November prior to the beginning of each fiscal year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consists of the SCCMUA checking and money market accounts.

Investments consist of U.S. Government securities and pooled investment funds. The U.S. Government securities and pooled investment funds are stated at market value.

7. Capital Assets

The accounting and reporting treatment applied to the capital assets and associated with a fund are determined by its measurement focus. The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net Assets.

Capital assets are recorded at cost, or if donated, at fair market value at the date of donation. Expenditures that materially extend the useful life of existing assets are capitalized. Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the Statement of Net assets. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Machinery and equipment	3 - 50 years
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The costs related to original construction of the plant are recorded by each constituent municipality in their financial statements.

8. Accrued Vacation and Sick Leave

The SCCMUA employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. The dollar amount of those rights amounted to \$59,893 at December 31, 2005. The amounts of \$22,354 and \$37,539 have been reported as current and noncurrent liabilities, respectively, on the Statement of Net Assets.

9. Comparative Data

Comparative data for the prior year has been presented in some of the accompanying financial statements in order to provide an understanding of changes in the fund's financial position and operations of various components of the fund. Certain balances in the prior year financial statements have been restated for comparative purposes to conform with the presentation in the current year financial statements.

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the SCCMUA is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Association, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2005, the carrying amount of SCCMUA's deposits was \$509,634 and the bank balance was \$533,570, of which \$100,000 was covered by federal deposit insurance. The balance of \$433,570 was uninsured and uncollateralized. The Authority had \$200 of imprest cash on hand.

Investments

As of December 31, 2005, SCCMUA had the following investments:

<u>INVESTMENT TYPE</u>	<u>Fair Value</u>	<u>Bank Balance</u>	<u>Standard & Poor's Rating</u>	<u>Weighted Average Maturity (years)</u>
Insured or registered for which the securities are held by SCCMUA's agent in SCCMUA's name				
U.S. Treasury securities	\$ 2,263,465	\$ 2,263,465	AAA	N/A
Treasury Portfolio Class B	364,998	364,998	AAA	N/A
Uncategorized pooled investments	<u>1,762,452</u>	<u>1,762,452</u>	AAA	8 days
	<u>\$ 4,390,915</u>	<u>\$ 4,390,915</u>		

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, SCCMUA's investment in the uncategorized pooled investment (the Centennial Government Trust) was rated AAA by Standard and Poor's.

Interest Rate Risk

SCCMUA has not adopted a policy that indicates how SCCMUA will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

SCCMUA's concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

SCCMUA will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the Statement of Net Assets, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

Cash and cash equivalents	\$ 875,832
Investments - current	2,816,395
Investments - noncurrent	<u>1,209,522</u>
	<u>\$ 4,901,749</u>

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Restated Balance <u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2005</u>
Capital assets not being depreciated				
Construction in progress	\$ 190,400	\$ 2,301,384	\$ -	\$ 2,491,784
Capital assets being depreciated				
Machinery and equipment	2,579,744	305,926	(158,272)	2,727,398
Less accumulated depreciation for Machinery and equipment	<u>(1,346,722)</u>	<u>(165,735)</u>	<u>118,749</u>	<u>(1,393,708)</u>
Total capital assets being depreciated	<u>1,233,022</u>	<u>140,191</u>	<u>(39,523)</u>	<u>1,333,690</u>
Net Capital Assets	<u>\$ 1,423,422</u>	<u>\$ 2,441,575</u>	<u>\$ (39,523)</u>	<u>\$ 3,825,474</u>

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D: RETIREMENT PLAN

Plan Description

The Authority participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Authority. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Authority Board and by negotiation with the Authority's collective bargaining units. The plan requires a 6.04% contribution from union personnel and a 1.2% contribution from non-union personnel. The Authority is required to contribute remaining amounts necessary to fund the plan.

Annual Pension Cost

For year ended December 31, 2005, the Authority's annual pension cost of \$21,214 for the plan was equal to the Authority's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year (annually) for persons under Benefit E-1 or E-2 after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 1,422,401	\$ 1,576,784	\$ 1,726,412
Actuarial accrued liability (AAL)	1,292,495	1,483,947	1,729,540
Unfunded (overfunded) AAL	(129,906)	(92,837)	3,128
Funded ratio	110 %	106 %	100 %
Covered payroll	604,682	642,989	695,210
UAAL as a percentage of covered payroll	(21) %	(14) %	0 %

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ -	\$ -	\$ 21,214
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

E: RISK MANAGEMENT

The SCCMUA carries commercial insurance for the risk of loss due to workers' compensation claims.

The SCCMUA also participates in a State pool, the Michigan Municipal Risk Management Authority with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The SCCMUA has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE F: NET ASSETS

Net assets have been segregated into restricted and unrestricted components. The restricted portions of net assets represent the balances that have been set aside for specific purposes based upon agreements with the constituent municipalities developed through the annual budgeting process. Unrestricted net assets represent the remaining amounts that are available for general operating purposes for the specific functions. The restricted and unrestricted net assets are further segregated by constituent municipality based on operational allocation methodologies (i.e. direct ownership and/or billable flow percentages).

The following provides a detail of the restricted net assets balances as of December 31, 2005:

	<u>DeWitt Charter Township</u>	<u>Bath Charter Township</u>	<u>City of DeWitt</u>	<u>Watertown Charter Township</u>	<u>Total</u>
Invested in capital assets	\$ 2,077,867	\$ 793,207	\$ 421,529	\$ 532,871	\$ 3,825,474
Restricted for:					
Capital replacement:					
Digester	602,248	507,597	318,102	187,428	1,615,375
Plant equipment	79,480	23,844	16,126	23,096	142,546
Process equipment	821,448	267,050	164,000	212,342	1,464,840
Sewer system	<u>72,411</u>	<u>109,927</u>	<u>14,591</u>	<u>51,801</u>	<u>248,730</u>
	1,575,587	908,418	512,819	474,667	3,471,491
Other purposes:					
Benefits	<u>10,411</u>	<u>3,123</u>	<u>2,112</u>	<u>3,026</u>	<u>18,672</u>
	<u>\$ 3,663,865</u>	<u>\$ 1,704,748</u>	<u>\$ 936,460</u>	<u>\$ 1,010,564</u>	<u>\$ 7,315,637</u>

The following provides a detail of the unrestricted net assets balances as of December 31, 2005:

	<u>DeWitt Charter Township</u>	<u>Bath Charter Township</u>	<u>City of DeWitt</u>	<u>Watertown Charter Township</u>	<u>Total</u>
Designated for:					
Sewer system	\$ 133,783	\$ 252,418	\$ 40,917	\$ 52,432	\$ 479,550
Industrial pretreatment program	<u>62,029</u>	<u>30,636</u>	<u>11,027</u>	<u>2,648</u>	<u>106,340</u>
	<u>\$ 195,812</u>	<u>\$ 283,054</u>	<u>\$ 51,944</u>	<u>\$ 55,080</u>	<u>\$ 585,890</u>

Southern Clinton County Municipal Utilities Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F: NET ASSETS - CONTINUED

The following provides a summary of the restricted and unrestricted net assets amounts by constituent municipality:

	<u>DeWitt Charter Township</u>	<u>Bath Charter Township</u>	<u>City of DeWitt</u>	<u>Watertown Charter Township</u>	<u>Total</u>
Restricted	\$ 3,663,865	\$ 1,704,748	\$ 936,460	\$ 1,010,564	\$ 7,315,637
Unrestricted	<u>195,812</u>	<u>283,054</u>	<u>51,944</u>	<u>55,080</u>	<u>585,890</u>
	<u>\$ 3,859,677</u>	<u>\$ 1,987,802</u>	<u>\$ 988,404</u>	<u>\$ 1,065,644</u>	<u>\$ 7,901,527</u>

NOTE G: PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made during the current period which was the result of an accounting error and a change in capital assets policy. This adjustment was reported as a change in beginning net assets. The effect on operations and other affected balances for the current year and prior year are as follows:

	<u>December 31, 2005</u>	<u>2004</u>	
Capital assets	\$ -	\$(255,583)	To adjust to new capital
Accumulated depreciation	-	(166,253)	assets policy
Net Assets, beginning	89,330	-	

NOTE H: CONTRACTUAL COMMITMENTS

The Authority has entered into a contract for the Solids Handling Project. The amount of the contractual commitment outstanding as of December 31, 2005 was \$2,756,987. The Authority's restricted net assets along with future municipality contributions are expected to be sufficient to cover these commitments.

OTHER SUPPLEMENTARY INFORMATION



Southern Clinton County Municipal Utilities Authority

COMBINING STATEMENT OF REVENUES AND EXPENSES

Year Ended December 31, 2005

	Investment Earnings and Interest Clearing	Sewer System	Industrial Pretreatment Program	Total
REVENUES				
Charges for services	\$ -	\$ 3,658,628	\$ 29,429	\$ 3,688,057
Interest	95,049	-	-	95,049
Other	-	12,102	-	12,102
TOTAL REVENUES	95,049	3,670,730	29,429	3,795,208
EXPENSES				
Salaries	-	703,629	4,573	708,202
Benefits	-	249,298	1,317	250,615
Motor vehicle and mileage	-	29,236	904	30,140
Utilities	-	273,987	-	273,987
Regulatory fees	-	7,634	-	7,634
Insurance	-	81,610	-	81,610
Repairs and maintenance	-	339,347	-	339,347
Education and training	-	16,152	678	16,830
Professional services	-	50,783	3,650	54,433
Supplies	-	65,758	724	66,482
Solids handling	-	72,093	-	72,093
Odor Control	-	20,465	-	20,465
Miscellaneous	-	10,683	-	10,683
Capital improvements	-	61,977	-	61,977
Equipment depreciation	-	165,735	-	165,735
TOTAL EXPENSES	-0-	2,148,387	11,846	2,160,233
REVENUES OVER EXPENSES	\$ 95,049	\$ 1,522,343	\$ 17,583	\$ 1,634,975

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Investment Earnings and Interest Clearing

Year Ended December 31, 2005

With Actual Amounts for Year Ended December 31, 2004

	<u>Budget</u>	<u>2005 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2004 Actual</u>
REVENUES				
Investment earnings and interest	\$ -	\$ 95,049	\$ 95,049	\$ 50,815
EXPENSES	<u>-</u>	<u>-</u>	<u>-0-</u>	<u>-</u>
REVENUES OVER EXPENSES	<u>\$ -0-</u>	<u>\$ 95,049</u>	<u>\$ 95,049</u>	<u>\$ 50,815</u>

NOTE: Budget data is presented for informational purposes only.

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Sewer System

Year Ended December 31, 2005

With Actual Amounts for Year Ended December 31, 2004

	Amended Budget	2005 Actual	Variance Favorable (Unfavorable)	2004 Actual
REVENUES				
Charges for services				
DeWitt Charter Township	\$ 1,269,033	\$ 1,497,951	\$ 228,918	\$ 1,534,228
Bath Charter Township	842,141	1,218,477	376,336	703,622
City of DeWitt	300,203	304,879	4,676	321,476
Watertown Charter Township	283,795	637,321	353,526	242,390
Other	190,036	12,102	(177,934)	23,531
TOTAL REVENUES	2,885,208	3,670,730	785,522	2,825,247
EXPENSES				
Direct allocation (DA) -				
DeWitt Charter Township				
Salaries	79,186	78,541	645	64,663
Benefits	24,812	19,993	4,819	17,143
Motor vehicle and mileage	7,000	8,439	(1,439)	5,188
Professional services	1,500	-	1,500	1,549
Utilities	15,000	14,125	875	12,939
Repairs and maintenance	24,000	13,392	10,608	20,317
Collection system repairs	100,000	68,854	31,146	27,178
Capital improvements	25,000	18,499	6,501	-
Equipment depreciation	7,585	5,248	2,337	7,652
Total DA - DeWitt Charter Township	284,083	227,091	56,992	156,629
Direct allocation (DA) -				
Bath Charter Township				
Salaries	63,402	79,147	(15,745)	87,766
Benefits	19,865	20,703	(838)	22,776
Motor vehicle and mileage	7,500	9,042	(1,542)	5,559
Utilities	50,000	53,534	(3,534)	47,774
Repairs and maintenance	25,000	32,879	(7,879)	45,352
Collection system repairs	185,000	22,979	162,021	98,785
Odor control	12,000	18,100	(6,100)	-
Capital improvements	17,000	-	17,000	-
Equipment depreciation	17,198	16,663	535	17,198
Total DA - Bath Charter Township	396,965	253,047	143,918	325,210

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - CONTINUED

Sewer System

Year Ended December 31, 2005

With Actual Amounts for Year Ended December 31, 2004

	Amended Budget	2005 Actual	Variance Favorable (Unfavorable)	2004 Actual
EXPENSES - CONTINUED				
Direct allocation (DA) -				
City of DeWitt				
Salaries	\$ 21,762	\$ 19,077	\$ 2,685	\$ 19,226
Benefits	6,819	4,713	2,106	4,287
Motor vehicle and mileage	1,750	2,110	(360)	1,297
Utilities	18,000	12,163	5,837	12,192
Repairs and maintenance	4,000	2,028	1,972	3,023
Collection system repairs	45,000	28,129	16,871	3,111
Equipment depreciation	2,184	1,920	264	2,184
Total DA - City of DeWitt	99,515	70,140	29,375	45,320
Direct allocation (DA) -				
Watertown Charter Township				
Salaries	21,112	19,963	1,149	22,583
Benefits	6,615	4,909	1,706	5,791
Motor vehicle and mileage	1,750	2,110	(360)	1,297
Utilities	5,000	4,163	837	3,617
Repairs and maintenance	7,000	3,886	3,114	6,130
Collection system repairs	20,000	22,042	(2,042)	3,876
Equipment depreciation	2,494	1,920	574	2,494
Total DA - Watertown Charter Township	63,971	58,993	4,978	45,788
Operation and maintenance				
Salaries	240,829	224,641	16,188	233,052
Benefits	39,576	39,555	21	37,065
Supplies	28,500	15,936	12,564	16,526
Motor vehicle and mileage	2,500	3,014	(514)	1,853
Insurance	90,000	81,610	8,390	82,479
Insurance - hospitalization	74,554	53,850	20,704	58,038
Insurance - workers' compensation	10,000	9,923	77	10,212
Insurance - dental	8,335	4,881	3,454	4,436
Insurance - long-term disability	7,500	6,167	1,333	6,139
Utilities	38,000	42,994	(4,994)	38,264
Repairs and maintenance	85,000	81,170	3,830	70,210
Miscellaneous	5,150	3,372	1,778	2,615
Equipment depreciation	78,907	67,632	11,275	79,070
Capital improvements	1,978,000	40,228	1,937,772	-
Total operation and maintenance	2,686,851	674,973	2,011,878	639,959

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - CONTINUED

Sewer System

Year Ended December 31, 2005

With Actual Amounts for Year Ended December 31, 2004

	Amended Budget	2005 Actual	Variance Favorable (Unfavorable)	2004 Actual
EXPENSES - CONTINUED				
Authority administration				
Commissioner salaries	\$ 13,000	\$ 11,360	\$ 1,640	\$ 10,490
Employee salaries	104,582	84,877	19,705	86,087
Benefits	33,764	21,814	11,950	26,470
Education and training	6,000	5,144	856	4,524
Supplies	3,000	1,586	1,414	2,405
Motor vehicle and mileage	1,250	1,507	(257)	926
Professional services	34,000	29,253	4,747	25,390
Legal ads	7,500	5,405	2,095	1,926
Miscellaneous	2,700	1,726	974	546
Total administration	205,796	162,672	43,124	158,764
Processing				
Salaries	172,200	179,125	(6,925)	164,762
Benefits	53,955	61,161	(7,206)	55,457
Education and training	15,000	11,008	3,992	9,953
Office supplies	4,500	2,677	1,823	3,529
Process supplies	53,000	45,559	7,441	43,663
Motor vehicle and mileage	2,000	2,411	(411)	1,482
Professional services	40,000	21,530	18,470	19,459
Utilities	130,000	124,573	5,427	123,241
Regulatory fees	8,000	7,634	366	5,500
Repairs and maintenance	75,000	55,639	19,361	49,011
Solids handling	100,000	72,093	27,907	63,289
Miscellaneous	1,000	180	820	202
Capital improvements	70,000	3,250	66,750	-
Equipment depreciation	70,533	65,313	5,220	76,182
Total processing	795,188	652,153	143,035	615,730

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - CONTINUED

Sewer System

Year Ended December 31, 2005

With Actual Amounts for Year Ended December 31, 2004

	Amended Budget	2005 Actual	Variance Favorable (Unfavorable)	2004 Actual
EXPENSES - CONTINUED				
Lift stations (LS) - DeWitt and Bath Charter Townships				
Salaries	\$ 11,129	\$ 6,898	\$ 4,231	\$ 7,924
Benefits	3,486	1,629	1,857	1,568
Motor vehicle and mileage	500	603	(103)	371
Utilities	26,000	22,435	3,565	22,310
Repairs and maintenance	16,000	5,162	10,838	11,093
Odor control	5,000	2,365	2,635	-
Collection system repairs	15,000	3,187	11,813	583
Equipment depreciation	7,690	7,039	651	7,774
Total processing LS - DeWitt and Bath Charter Townships	84,805	49,318	35,487	51,623
TOTAL EXPENSES	4,617,174	2,148,387	2,468,787	2,039,023
REVENUES OVER (UNDER) EXPENSES	\$ (1,731,966)	\$ 1,522,343	\$ 3,254,309	\$ 786,224

NOTE: Budget data is presented for informational purposes only.

Southern Clinton County Municipal Utilities Authority

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Industrial Pretreatment Program

Year Ended December 31, 2005

With Actual Amounts for Year Ended December 31, 2004

	Amended Budget	2005 Actual	Variance Favorable (Unfavorable)	2004 Actual
REVENUES				
Charges for services	\$ -	\$ 29,429	\$ 29,429	\$ 30,111
EXPENSES				
Salaries	8,000	4,573	3,427	7,307
Benefits	3,113	1,317	1,796	2,097
Supplies	900	724	176	1,064
Professional services	2,500	3,650	(1,150)	1,841
Laboratory fees	5,200	-	5,200	975
Motor vehicle and mileage	750	904	(154)	556
Education and training	2,000	678	1,322	1,966
Legal ads	500	-	500	-
Utilities	350	-	350	-
Equipment depreciation	372	-	372	372
TOTAL EXPENSES	23,685	11,846	11,839	16,178
REVENUES OVER (UNDER) EXPENSES	\$ (23,685)	\$ 17,583	\$ 41,268	\$ 13,933

NOTE: Budget data is presented for informational purposes only.